

THEEWATERSKLOOF MUNICIPALITY



POLICY ON THE WRITING-OFF OF IRRECOVERABLE DEBT

Approved by Council:
SC???:/2020 – ??? May 2020

TABLE OF CONTENTS

	Page
1. Introduction	3
2. Purpose of policy	3
3. Responsibility and accountability	3
4. Policy principles	4
5. Categories of debtors that may qualify for incentives and the writing-off of irrecoverable debt	6
5.1 Indigent household consumers	6
5.2 Untraceable debtors	6
5.3 Special incentives	7
5.4 Irrecoverable debt not catered for in the policy	8
6. Delegations	8
6.1 Chief Financial Officer	8
6.2 Municipal Manager	9
6.3 Establishment of Committee	9
7. Reporting and disclosure	10
8. Implementation and review of this Policy	10

THEEWATERSKLOOF MUNICIPALITY POLICY ON THE WRITING-OFF OF IRRECOVERABLE DEBT

1. INTRODUCTION

- 1.1 To ensure that household consumers with no or little income are not denied reasonable basic services and that the municipality is not financially burdened with non-payment of these basic services, the Council of Theewaterskloof Municipality approved policies on property rates, tariffs, credit control, debt collection and indigent support to be implemented.
- 1.2 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible writing-off of irrecoverable debt.
- 1.3 The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000), such as –
 - (a) The insolvency of a debtor whose estate has insufficient funds;
 - (b) A balance being too small to recover, for economic reasons, considering the cost of recovery; and
 - (c) Where Council deems that a customer or group of customers are unable to pay for services rendered.
- 1.4 The municipality will have to maintain audit trails in such instances where bad debt is written-off and document the reasons for the abandonment of the actions or claims in respect of the bad debt.

2. PURPOSE OF THE POLICY

The purpose of this policy is to ensure that the principles and procedures for the writing-off of irrecoverable debt are formalised to ensure that consumers (especially households) are relieved of their spiral of debt.

3. RESPONSIBILITY AND ACCOUNTABILITY

The Council has the overall responsibility and accountability for adopting and approving the Writing-Off of Irrecoverable Debt Policy.

4. POLICY PRINCIPLES

Debt will only be considered as irrecoverable and only be written off after all reasonable steps have been taken to recover the debt, in accordance with this policy, and the municipality is convinced that

- 4.1 recovery of the debt would be uneconomical
- 4.2 recovery would cause undue hardship to the debtor or his/her dependants; and
- 4.3 it would be an advantage to the municipality to effect a settlement of its claim or to waive the claim
- 4.4 qualify for consideration as follow:
 - (a) all reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount; or
 - (b) (i) any amount equal to or less than R1000.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; These amounts to be submitted to the Chief Financial Officer for consideration to write –off. These amounts to be presented to Council for notification after the fact

(ii) Where final accounts have been submitted and paid by the respective consumer, and the remaining balance after finalisation of any final readings, other administrative costs and consumer deposits taken into consideration results in a balance of one thousand rand (R 1,000) or less, or the amount determined by Council from time to time during the budget approval process, such amount must be written-off with the proviso that the account must be forwarded once to the consumer with a follow-up reminder and a final reminder for payment
 - (c) the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
 - (i) there is a danger of a contribution; or
 - (ii) no dividend will accrue to creditors; or
 - (d) a deceased estate has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
 - (i) where the estate has not been reported to the Master and there are no assets of value to attach; or
 - (ii) it has been proven that the debt has prescribed;
 - (e) the debtor is untraceable or cannot be identified so as to proceed with further action; or

- (f) the debtor has emigrated leaving no assets of value to cost effectively recover Council's claim; or
- (g) it is not possible to prove the debt outstanding; or
 - (i) a court has ruled that the claim is not recoverable; or
 - (ii) the outstanding amount is due to an irreconcilable administrative error by the Municipality; or
- (h) conversion of old dormant account balances of debtors, inherited from the previous municipalities which now form part of the Theewaterskloof Municipality, and where reasonable steps have been taken to recover these debts; or
- (i) all debtors who are registered as indigent as more fully set out in Indigent Policy will have their arrears written off; or
- (j) all arrears may be written-off to bad debts where Council-
 - (i) expropriates any property; or
 - (ii) purchases any property
- (k) should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;
- (l) The Debtor has either assets or Income
- (m) Statutory requirements prevent debt from being claimed or recovered

4.5. Authorisation

- (1) In respect of other debt, schedules indicating the debtor account number, the debtor's name, the physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled.
- (2) Notwithstanding the above, the Municipality or its authorised officials will be under no obligation to write-off any particular debt and will always retain sole discretion to do so.
- (3) Further testing of validity for write-off will be:
 - confirmed by a credit bureau verification report indicating economic activity of debtor
 - Property valuation where applicable.
- (4) Council retains the right to reverse a write-off if it is later found to be incorrect or done on incorrect or falsified information.

- 4.6 be disclosed in the annual financial statements, indicating the policy in terms of which the debt was written off; and

5. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR INCENTIVES AND WRITING-OFF OF IRRECOVERABLE

5.1 Indigent household consumers

- 5.1.1 Upon approval for registration as indigent household's consumer, the debtor's outstanding balance will be considered for write-off upon confirmation of indigent status.
- 5.1.2 Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written-off and must be dealt with strictly in accordance with the municipality's credit control and debt collection policies. Therefore, these arrears can only accumulate for –
- (a) The kWh units of electricity consumed or to be consumed above the monthly free kWh units of electricity (annually approved by Council) for an indigent household who has a conventional electricity meter;
 - (b) The kilolitres of water consumed or to be consumed above the 6 kilolitres of free water per month by an indigent household who has a conventional water meter; and
 - (c) Excess rates payable on the market value of a residential property that are not exempted from paying property rates and that does not qualify for a 100% indigent subsidy in terms of Council's property rates policy.

5.2 Untraceable debtors

- 5.2.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such an account may be handed over to a collection agent for recovery of the debt. The collection agent will be paid an all-inclusive fee of not more than 10% of the amount that was collected. The terms of reference for such a collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the municipality on the actions that were taken to attempt to trace the debtor.
- 5.2.2 Any amount owed by a debtor that has become untraceable may be written-off or may be sold to a debt collection agent at a discount.
- 5.2.3 A decision to sell any debt referred to in 5.2.2 of the Municipality to a debt collection agent has to be taken in terms of Council's SCM Policy.

5.3 Special incentives: Interest write-off

Interest written-off in terms of Councils incentive scheme must be presented to the appropriate category of authority. Refer to attached copy of interest incentive scheme.

If a residential consumer makes an arrangement to pay off arrears, the following will apply:

All interest in respect of such arrears will be written off and provided that if such debtor fails to pay his/her monthly arrangement amount for a period of three months, the arrangement will be terminated, and the interest that was written off, will be debited against his/her account.

No interest will be charged on the arrangement amount.

NOTICE

INTEREST WRITE-OFF INCENTIVE ON SETTLEMENT OF DEBTS

Council has resolved, as a gesture of goodwill, to write-off interest on Arrear Debts, subject to the following conditions:

CONDITIONS:

- Debtors should sign an Acknowledgement of Debt in order to qualify for such incentive.
- Government Institutions, Councillors, and Officials (except for historical debt of previous owner) and Clearances by Attorney's should not be allowed to participate in the Incentive Scheme.
- Debtors must pay their current account plus Arrears monthly.
- Immediate settlement is the due date determined in the letters of demand (usually fourteen working days from date of letter)

Commented [JvN2]:

Commented [JvN3]:

The Interest shall be written-off as follows:

	<u>RESIDENTS</u>	<u>BUSINESS/INDUSTRIAL/ AGRICULTURAL/ COMMERCIAL</u>
1. Immediate Settlement	100%	75%
2. Settlement within 1 month	75%	50%
3. Settlement within 2 months	50%	40%
4. Settlement within 3 months	25%	20%

We trust that this will assist you to settle your debts in order for us to provide Sustainable Services to you, our valued clients.

Kindly contact our Debt Collection Offices at Caledon. Telephonic enquiries could be directed to (028 – 214 3408/ 31 / 62).

5.4 Irrecoverable debt not catered for in the policy

Should there be any irrecoverable debt cases that the administration cannot dispose of in terms of this policy, particulars of the irrecoverable debt cases shall be submitted to the Debt Write-Off Committee of Council for consideration.

6. DELEGATIONS

6.1 Chief Financial Officer

The Chief Financial Officer will, after thorough review of any applications In terms of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R10,000.00 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.2 Municipal Manager

Any amount in excess of the delegation provided for in paragraph 6.1 above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager will, after thorough review of any recommendation by the Chief Financial Officer and in terms

of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R20,000.00 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.3 Establishment of a Committee to monitor any Debt to be Written-off

6.3.1 Council will establish and appoint a "Debt Write-Off Committee" in terms of Section 79 of the Municipal Structures Act 117 of 1998, to monitor the implementation of this Policy.

6.3.2 The debt write off committee must consist of the following persons:

- (a) Mayor
- (b) Deputy Mayor
- (c) Chairman or chairperson of the Finance Portfolio Committee
- (d) Municipal Manager
- (e) Director Financial Service
- (f) Deputy Director Financial Services
- (g) Chief whip of the Opposition
- (h) Manager Income
- (i) One member of the Opposition serving on the Financial Services Committee.

The Mayor will be serving as the Chairman or Chairperson of this committee. When the Mayor is unavailable it will be the Deputy Mayor.

6.3.3 The above Committee will meet at least quarterly to receive and review a report from the Accounting Officer containing full details of any actions taken by officials with respect to this Policy, and to consider any circumstances not covered by this Policy.

6.3.4 The quorum for the Committee shall be 50% of the members plus one.

6.3.5 Formal minutes of Committee meetings must be prepared and submitted to Council.

6.3.6 Any amount in excess of the delegation provided for in paragraph 6.2 above must be submitted together with a recommendation to the Debt Write-Off

Committee for consideration. The Debt Write-Off Committee will, after thorough review of any recommendation by the Chief Financial Officer and Municipal Manager in terms of this policy, have the delegated powers to write-off any irrecoverable debt in excess of R 20,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

7. REPORTING AND DISCLOSURE

- 7.1 The Chief Financial Officer will report on a quarterly basis to Council on the irrecoverable debt amounts written-off. The report will include the following information –
- (a) The total amount of irrecoverable debt written-off for indigent household consumers (a list of names, addresses and amounts per consumer written-off included as Annexure A to the report);
 - (b) The total amount of irrecoverable debt approved by the Chief Financial Officer to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure B to the report);
 - (c) The total amount of irrecoverable debt approved by the Municipal Manager to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure C to the report);
 - (d) The total amount of irrecoverable debt approved by the Debt Write-Off Committee to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure D to the report).
- 7.2 The Chief Financial Officer will disclose the total amount of irrecoverable debt written-off as a note in the annual financial statements of the municipality.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

- 8.1 This policy shall be implemented once approved by Council. All future submissions for the writing-off of debt must be considered in accordance with this policy.
- 8.2 The policy will be reviewed each year as part of the budget approval process.